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Holiday
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Market Administrator's Bulletin

Published at 79 East State Street, Columbus, Ohio 43215
ISSUED FOR PRODUCERS WHO ARE NOT
MEMBERS OF COOPERATIVE ASSOCIATIONS

DECEMBER, 1965 Vol. 21 No. 12

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MARKET ADMINISTRATOR

Supply-Demand Adjusters Automatically Change Prices

The Dairy Situation, Economic Research Service, USDA September 1965

In considering the adequacy of supply for a market's needs, 3 types of reserves are recognized in fluid markets: Seasonal reserves, day-to-day reserves, and year-round reserves. The last is a general excess of supplies over Class I sales plus seasonal and short term-reserves.

Supply-demand adjusters serve automatically to increase Class I prices when the amount of reserve milk in a market declines and to decrease such prices when reserves increase markedly. As mechanical evaluators of the basic price structure, their use reduces the frequency of hearings to revise prices. Supply-demand adjusters were first used in New England Federal Order Markets in 1948, when an economic formula was adopted for pricing milk. As of July 1, 1965, the Class I formula pricing in 61 of the 75 Federal milk marketing areas incorporated supply-demand adjusters.

USDA usually uses the past history of existing relationships between producer receipts and Class I sales of milk in a market as the basing point for supply-demand adjustment. However, characteristics of markets vary extensively, so the supply-demand adjusters and the ways they are applied vary considerably among markets. Variations exist with respect to the period chosen for comparing the current relationships of supply and sales to a normal and the amount of price change indicated by a given amount of departure from normal. Also variation occurs in the number of supply or sales areas used in calculating or applying the factor. For some markets, limits are specified in terms of price relationships to other markets or to prevent contraseasonal price adjustments. Many markets have limits to the adjuster itself.

Supply-demand adjustments can
(Continued on Back Page)



Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	.....
Class I (3.5%)	.....
Class II (3.5%)	.....
Class III (3.5%)	.....
Class IV (3.5%)	.....
Producer Butterfat Differential for each one-tenth percent	.....

Nov. 1965	Oct. 1965	Nov. 1964
\$4.90	\$4.86	\$4.70
4.79	4.82	4.62
3.36	3.34	3.29
—	—	—
—	—	—
8.0¢	8.1¢	7.7¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	.....
Percent of Producer Butterfat in Class I	.....
Percent of Producer Milk in Class II	.....
Percent of Producer Butterfat in Class II	.....
Percent of Producer Milk in Class III	.....
Percent of Producer Butterfat in Class III	.....
Percent of Producer Milk in Class IV	.....
Percent of Producer Butterfat in Class IV	.....

87.6	83.7	84.2
82.6	79.8	78.5
12.4	16.3	15.8
17.4	20.2	21.5
—	—	—
—	—	—
—	—	—
—	—	—

PRODUCER MILK RECEIPTS

Total Pounds of Producer Milk Delivered	.....
Average Daily Class I Producer Milk	.....
Total Number of Producers	.....
Average Daily Receipts per Producer	.....
Average Butterfat Test	.....
Total Value of Producers Milk at Test	.....
Income per Producer (7 day average)	.....

43,731,417	45,271,423	42,429,124
1,320,470	1,261,146	1,414,304
1,642	1,642	1,686
888	889	838
3.79	3.70	3.86
\$2,113,313	\$2,138,707	\$1,984,996
\$300	\$294	\$274

GROSS CLASS USE (Pounds)

Class I Skim	.....
Class I Butterfat	.....
Class I Milk	.....
Class II Skim	.....
Class II Butterfat	.....
Class II Milk	.....

36,956,531	36,564,634	35,095,840
1,369,401	1,335,668	1,312,308
38,325,932	37,900,302	36,408,148
5,116,399	7,032,414	7,877,479
289,084	338,707	358,608
5,405,483	7,371,121	8,236,087

AVERAGE DAILY SALES (Quarts)

Milk	.....
Buttermilk	.....
Chocolate	.....
Skim	.....
Cream	.....

453,102	452,305	440,114
5,995	5,789	6,012
32,647	33,036	30,215
13,614	13,379	13,352
10,179	9,622	10,746

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA

★ NOV., 1956 - '65

Year	Receipts From Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1956	23,100,784	3.90	83.6	8.8	3.6	4.0	4.40	4.537	4.137	4.137	3.321	1,998	385
1957	23,847,569	3.92	85.3	7.8	2.9	4.0	4.37	4.504	4.104	4.004	3.081	1,882	422
1958	23,091,764	3.89	88.1	7.9	1.3	2.7	4.37	4.434	4.034	3.934	2.887	1,729	445
1959	25,350,698	4.00	90.6	6.6	1.3	1.5	5.11	4.696	4.296	3.927	3.228	1,693	499
1960	27,083,211	3.94	85.9	6.7	1.5	5.9	4.94	4.611	4.211	4.004	3.135	1,566	577
1961	29,409,401	3.91	82.2	6.7	2.2	8.9	4.77	4.505	4.105	3.876	3.250	1,312	747
1962	34,279,707	3.89	78.4	6.4	2.4	12.8	4.50	4.28	3.861	3.665	3.039	1,336	855
1963	36,416,781	3.86	83.0	7.3	2.0	7.7	4.73	4.46	4.044	3.736	3.084	1,369	887
1964	42,429,124	3.86	84.2	15.8	—	—	4.70	4.62	3.29	—	—	1,686	839
1965	43,731,417	3.79	87.6	12.4	—	—	4.90	4.79	3.36	—	—	1,642	888

Dairy Stocks Below A Year Earlier

The Dairy Situation, Economic Research Service USDA November 1965

Storage stocks of butter and evaporated milk, as of October 1, were below a year earlier, while both nonfat dry milk and cheese stocks were higher. Stocks of manufactured dairy products were estimated at 7.7 billion pounds (milk equivalent), 0.7 billion below a year earlier. Stocks of dairy products are expected to continue below a year earlier, declining seasonally to about 4.7 billion pounds (milk equivalent) at the end of 1965; they were 5.3 billion a year earlier. Year-end stocks in 1966 are likely to be about the same as this year-end, since domestic disappearance and exports are again expected to be closely in line with production and imports.

In 1965 storage stocks of dairy products rose more seasonally from the first quarter to the third quarter peak than a year earlier. Also, this year, fourth quarter withdrawals from stocks may be a little heavier than average because of above average seasonal production declines.

Government inventories are held chiefly by USDA, but the armed services and other agencies also hold small amounts. Estimates of cheese and nonfat dry milk in Government hands are based on records of operating agencies. (No butter-oil has been in CCC inventories since May 1965.) These supplies represent quantities for which CCC has acquired

title, minus quantities transferred to buyers and other recipients. "Storage holdings" differ from "USDA uncommitted stocks" in that the latter represents Government price support purchases, minus commitments for sale or donation.

Butter stocks this year-end are expected to about match last year's low level of 70 million pounds. American cheese stocks at the end of September totaled 338 million pounds, about the same as a year earlier; however, practically all cheese stocks were in commercial hands. USDA stocks by the end of the year may be near September's low level of less than a million pounds. They totaled 24 million a year earlier.

Cash Receipts Rising In 1965-1966

The Dairy Situation, Economic Research Service USDA November 1965

Cash receipts from farm marketings of milk and cream for all 50 States are expected to approach \$5.1 billion in 1965, up 1½ percent from last year's record of \$5.0 billion. Despite this gain, dairy cash receipts are expected to be a smaller percentage of total cash receipts from all farm products than last year — 13.1 percent, compared with 13.6 percent last year. Farm production expenses are expected to be higher this year than last, but with dairy cash receipts rising, net dairy receipts will likely exceed those of 1964.

For January-September 1965, cash receipts from dairy marketings totaled about \$3.8 billion, about \$58 million more than a year earlier. The volume of marketings is estimated to be about a half billion pounds less in 1965 than the 120.1 billion pounds in 1964. However, the average price for milk and dairy products this year is running nearly 2 percent higher than last year. Fourth quarter 1965 developments are not expected to materially change this picture.

Average returns per 100 pounds of milk marketed from farms in all forms likely will be about \$4.25 com-

pared with last year's \$4.18. Prospects are for another rise in 1966. Marketings may gain about a billion pounds in 1966 from 1965 levels. These prospective increases indicate that 1966 cash receipts from dairy ing will be above those this year. This outlook assumes continuation of the support program for dairy products at 75 percent of parity, average growing conditions, and increased commercial markets for dairy products. The effects of the new farm legislation on income from dairying are not expected to be great in 1966.



MARKET ADMINISTRATOR BULLETIN

Supply-Demand Adjusters . . . (Continued from Front Page)

alter Class I price relationships among markets and, in some instances, can cause shifts of plants or producers between adjacent markets. In some markets producers have been able to nullify the price-decreasing effects of supply-demand adjusters by negotiating prices in excess of minimum order prices. In recent years, negotiated premiums above Federal order prices have been obtained in Chicago and Detroit and other markets.

The Nourse Committee, which reviewed all aspects of the milk marketing order system summarized the uses of supply-demand adjusters as follows:

"The committee strongly supports the general philosophy of supply-demand pricing . . . experience with these adjusters, as they have been administered has been that they have tinkered with price-supply relationships within and between markets but they have not served as effective tools for reducing persistently excessive supplies."

In addition to shifts of milk between field markets and alternatives outlets the adjuster may influence the quantity of milk supplied by producers and the quantity used by consumers.

Since supply-demand adjusters effect only the price used for Class I, the effect on the blend price paid to farmers is less than the effect on

Market Quotations

NOVEMBER
1965

MINNESOTA - WISCONSIN PRICE SERIES	\$3.39
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.26
Average Price per lb. 92-score butter at Chicago	.6327
Average carlot prices non-fat dry milk solids roller and spray process, f.o.b. manufacturing plant	.1442

the Class I price. For example, in Chicago, where in 1964, adjusters were deducting the maximum amount permitted by order specifications, the deduction was 3 percent of the blend price compared with 6 percent of the Class I price. Recent studies of the effect of prices on milk production suggest that, over a longer period, a blend price change of 3 percent might cause milk production to change 1 to 5 percent in the same direction.



*The Market Administrator
and his Staff
Wish You A Happy
Holiday Season*

Rise In Output Per Cow Slows

The Dairy Situation, Economic Research Service
USDA November 1965

Milk production per cow for 1965 is expected to average about 8,100 pounds, up about 2.8 percent from 1964; the annual average gain during 1955-64 was 3.4 percent. The projected increase is estimated at 220 pounds per cow, sharply below the 1964 gain of 319 pounds over 1963, but about the same as the 1955-64 average. In 1966, production per cow is likely to surpass 8,300 pounds. Output per cow has gained annually since World War II and, during 1955-64, annual increases averaged much higher than in previous decades. During that period, U. S. increases in milk per cow averaged over 220 pounds,

Cumulative output per cow for the first 9 months of 1965 was 6,203 pounds, 3 percent above the year-earlier period. Increases in output over a year earlier, though below last year's high gains, were substantial early in the year, declined during summer, and fell to only 1 percent above a year earlier in September.